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E.O. 12958: DECL: 07/16/2017
TAGS: [KNNP](#) [MNUC](#) [IR](#) [BA](#)
SUBJECT: DEMARCHE: APPRECIATION FOR BAHRAIN'S VIGILANCE
WITH RESTRICTING TRAVEL OF DESIGNATED IRANIANS, CONCERN
OVER BANKING ISSUES

REF: A. MANAMA 437

[1](#)B. STATE 61222

Classified By: NEA PDAS James F. Jeffrey for reasons 1.4 (b) and (d).

[1](#)1. (U) This is an action request. Please see paragraph three.

SUMMARY

[1](#)2. (C) Bahrain took steps to implement travel restrictions that demonstrate its commitment to implement the spirit and letter of UNSCRs 1737 and 1747, which seek to limit the proliferation threat posed by Iran. Although we appreciate those actions, we have serious concerns over the Future Bank joint venture involving Bahrain's Alhi United Bank, Iran's Bank Melli, and Bank Saderat, that is to be established in the Iranian Kish Island Free Zone. We are concerned that Bahraini banks that have relationships with Bank Saderat, Bank Melli, and other state-owned Iranian financial institutions could be used to facilitate the financing of Iran's nuclear and missile programs or the transfer of money to terrorist organizations.

OBJECTIVES

[1](#)3. (SBU) Department instructs Post draw on the information in paragraphs 4-11 for use in discussions with appropriate host government officials.

-- Post should express USG appreciation for Bahrain's implementation of UNSCR 1737- and 1747-mandated travel restrictions.

-- Post should also convey USG concerns over the Future Bank joint venture and the role of Iran in abusing it to support proliferation, terrorist, and other illicit activities.

BACKGROUND

[1](#)4. (C/REL BAHRAIN) Bahrain responded positively to our request (ref B) for key countries to exercise stronger vigilance and restraint when considering the travel of UNSC designated Iranians to or through their territories. Per ref A, Bahrain noted that its embassy in Tehran must receive clearance from Manama prior to issuing visas for Iranian citizens, and that visa approval would involve a full vetting process by the GOB. Bahrain also noted that it was restricting the issuance of transit visas to Iranians at the

Bahrain International Airport.

¶5. (C/REL BAHRAIN) The USG appreciates Bahrain's vigilance with respect to the travel of Iranian individuals designated under UNSC resolutions 1737 and 1747, and the GOB's overall efforts to refine and tighten the visa process for Iranian citizens in light of the proliferation threat presented by Iran's nuclear and missile programs. Bahrain's steps to ensure effective vetting of visa applications, and restrict the use of transit visas in order to prevent facilitating proliferation-related travel, illustrates Bahrain's commitment to implement the spirit and letter of UNSCRs 1737 and 1747.

¶6. (C/REL BAHRAIN) While we are greatly appreciative of the GOB's efforts to remain vigilant with respect to the travel of UNSC-designated individuals, we have serious concerns about Bahrain's involvement with Iran's banking sector. As reported by PressTV on May 14, 2007, Iranian Kish Island Free Zone Managing Director Majid Shayesteh announced that Bank Melli, Bank Saderat, and Alhi United Bank of Bahrain were conducting a joint venture to open a "future bank" in the Iranian free zone, probably a branch of the Future Bank that exists in Bahrain.

¶7. (C/REL BAHRAIN) We are concerned that Bahraini banks that have relationships with Bank Saderat, Bank Melli, and other state-owned Iranian financial institutions could be used to facilitate the transfer of money to terrorist organizations or the financing of Iran's nuclear and missile programs. On September 10, 2006, Terrorist Financing and Financial Crimes Assistant Secretary Patrick O'Brien met with senior officials from Ahli United Bank of Bahrain in Manama to warn about the risks of doing business with Iran. During that meeting, O'Brien specifically highlighted the September 8, 2006, USG regulatory action taken against Bank Saderat for its support for terrorism.

¶8. (C/REL BAHRAIN) Iran-related entities -- including state-owned banks and front companies -- deliberately disguise the nature of their financial activity to evade detection and avoid suspicion. The Government of Iran supports this deceptive financial conduct and it is extremely difficult to segregate the Government of Iran from the illicit and criminal conduct of Iran-related entities.

¶9. (C/REL BAHRAIN) When dealing with Iran-related entities, we believe it is virtually impossible to fully understand the nature of their business, even if financial institutions are practicing due diligence. Banks and other financial entities cannot be sure that even apparently legitimate transactions are not supporting Iran's dangerous conduct. We are warning our banks about these and other

threats, and have taken action to protect our financial system from these risks. In September 2006, the U.S. Treasury Department cut off Bank Saderat from any access whatsoever from the U.S. financial system because of its involvement in supporting terrorism.

¶10. (C/REL BAHRAIN) As evidence of Iran's deceptive practices has mounted, financial institutions and other companies worldwide have begun to reevaluate their business relationships with Iran. We would have concerns about maintaining financial relationships with institutions that are not sensitive to these threats.

¶11. (C/REL BAHRAIN) We urge all countries to discuss with their financial institutions the threat that Iran's financial conduct poses to the integrity and reputation of their financial system and encourage them to assess the risk of doing business with all Iranian entities, specifically Iran's state-owned banks.

REPORTING DEADLINE

¶12. (U) Post is requested to report the delivery of demarche and any immediate reaction by July 20. Please slug all responses for ISN, T, and NEA. Please use SIPDIS caption on any response. Washington appreciates Post's assistance.

POINT OF CONTACT

¶13. (U) State Department POC for this activity is Jennifer Chalmers (202-647-9715 or ChalmersJA@state.sgov.gov) and Treasury POC is Kristen Hecht (202-622-5243 or hechtk@tsdn.treasury.sgov.gov).
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